MANITOBA

ANNUAL REPORT

1981-82

Communities Economic Development Fund

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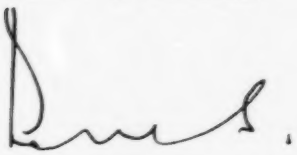
600 – 428 Portage Avenue
Winnipeg, Manitoba
R3C 0E4

Honourable Jay Cowan,
Minister Responsible for
Communities Economic Development Fund,
Room 333 Legislative Building,
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Cowan:

In accordance with the provisions of the Communities Economic Development Fund Act, I enclose the Report for the fiscal year ended March 31st, 1982, and a Statement of the Communities Economic Development Fund's accounts for the year, signed and certified in the prescribed manner.

Respectfully submitted,



H.J. Jones,
General Manager.

Annual Report 1981-1982

Directors and Officers:

Board of Directors

Mr. James E. Goodman (Chairman)	Flin Flon
Mr. Howard Asham	Fisher Branch
Mr. William Bennett	Matheson Island
Mr. George Dram	Wabowden
Mr. David Epp	Winnipeg
Mr. Arnold Morberg	Lynn Lake
Mr. J. Angus Spence	Winnipeg
Mr. Bernard Wood	Winnipeg

Officers

Mr. Hugh Jones	General Manager
Mr. Alec Musgrove	Secretary-Treasurer

General Manager's Review

The Fund's activity, during the fiscal year reviewed in this report, indicates a significantly increased loan activity over the past number of years. The Fund made 46 new commitments to a total value of $2.8 million. The following table reflects the activity of this Agency since its inception in 1972:

Fiscal Year	Applications Approved	Amount	Jobs Created And/Or Retained
1972	19	$ 389,500	56
1973	82	1,349,750	125
1974	43	983,983	100
1975	16	731,910	73
1976	18	374,470	100
1977	38	704,658	108
1978	20	510,399	103
1979	20	556,459	92
1980	37	1,982,791	144
1981	34	1,180,740	120
1982	46	2,800,140	176
Totals:	373	$11,564,800	1,197

Enterprises assisted during the fiscal year include general stores, campgrounds, restaurants, taxis, trucking companies, ramp and dray services, carpet care companies and Native handicrafts shops. Communities involved include Wabowden, The Pas, Churchill, Leaf Rapids, Oxford House, Island Lake, Cross Lake, Grand Rapids and Matheson Island.

The general downturn in the economy has had obvious implications for businesses financed by the Fund. However, this Agency's ongoing loan portfolio indicates a consistency in the percentage of businesses considered to be satisfactory, with debt repayment adhered to. This percentage of what might be called successful loans, again approximates 80% of the total investments made by the Fund.

During the fiscal year under review, an additional $584,211 was provided for as Allowance for Doubtful Accounts related primarily to the failure of a major operation in Cross Lake. Fifteen loans were repaid in full and a further nine loans were written off.

The Fund's Secretary-Treasurer continues to participate as a member on the Special A.R.D.A. Committee thus providing a mutually consistent approach to a variety of applications which have joint project funding. The Fund maintains its non-lending activity with representation on the following Boards:

Channel Area Loggers Ltd.
Churchill Research Centre Inc.
Neyanun Development Corporation

As well, the Fund continues to co-ordinate meetings of a variety of Government Agencies and Departments involved in Northern Economic Development.

The need for concentration upon management of existing accounts, with all that entails in terms of management and financial guidance to the client, necessarily occupied a high percentage of staff time. This, coupled with the increased loan activity as well as the continuation of monitoring the outstanding loans remaining in the Manitoba Development Corporation, necessitated an increase in the staff content by one professional person.

Turning to the Financial Statements, it will be noted that loan interest income has increased dramatically in view of the larger portfolio and higher interest rates experienced throughout the year.

Miscellaneous revenue of $21,170 reflects reimbursement of expenses incurred during the year for some consulting work contracted outside of the Fund itself.

On Schedule I — Administrative Expenses — I should comment that, as indicated during the last few years, the Fund continues its involve-

ment with the Churchill Research Centre Inc. which operates the Churchill Northern Studies Centre. Our involvement is primarily that of representation on the Board by myself and the controllership and secretarial functions undertaken by Mr. Goodwin of the Fund's staff. During the year under review, the Fund was authorized to additionally assist the Centre by providing $125,000 towards the cost of a contract for an Executive Director: the intention is that, in due time, such amounts expensed during this year, would be reimbursed when the Centre has developed a firm financial base.

Applications continue to be received through a combination of direct contact with the Fund's office in Winnipeg and community visits by staff. All proposals are analyzed in close co-operation with the applicants and also in relation to potential assistance for the proposed project from other relevant Provincial and/or Federal programmes.

Once again, I would express my sincere appreciation for the time and effort expended by the Directors in managing the affairs of the Fund and my thanks to the significant support from all members of the staff.

H.J. Jones,
General Manager.

Auditor's Report

I report that the financial statements of the Communities Economic Development Fund have been examined under my direction for the fiscal year ended March 31, 1982. The examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the financial statements, being Exhibits A and B and Schedule 1, together with the notes thereto, present fairly the financial position of the Communities Economic Development Fund as at March 31, 1982 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements applied, except for the change as explained in Note 7 to the financial statements, on a basis consistent with that of the preceding year.

W.K. Ziprick, C.A.
Provincial Auditor.

August 11, 1982,
Winnipeg, Manitoba.

Exhibit A

Communities Economic Development Fund

Balance Sheet
as at March 31, 1982
(with 1981 figures for comparison)

Assets

	1982	1981
Cash	$ 93,848	$ 42,803
Short-term bank deposit receipts	—	175,000
Funds on deposit with the Minister of Finance, non-interest bearing	450,000	45,426
Accounts receivable:		
Province of Manitoba (Note 5)	6,574	66,844
Manitoba Development Corporation (Note 1)	171,401	28,201
Other	5,709	9,983
	183,684	105,028
Loans receivable, less allowance for doubtful accounts (1982 - $784,600; 1981 - $402,700) (Notes 4 and 8)	2,734,296	2,113,402
Property held for resale, less allowance for loss (1982- 0; 1981 - $11,051)	—	70,000
Office furniture and equipment, at cost, less accumulated depreciation (1982 - $7,178; 1981 - $6,230)	2,298	2,890
	$3,464,126	$2,554,549

Liabilities

Accounts payable	$ 43,628	$ 39,326
Funds held in trust (Note 8)	55,275	50,000
Revolving Fund established by the Province of Manitoba for direct loans (Note 3(a))	3,265,223	2,365,223
Grant received from the Province of Manitoba for loan guarantees (Note 3(b))	100,000	100,000
	$3,464,126	$2,554,549

Signed on Behalf of the Board

Barbara Bruce DIRECTOR

Bill Bennett DIRECTOR

Exhibit B

Communities Economic Development Fund

Statement of Income and Expenses
for the year ended March 31, 1982
(with 1981 figures for comparison)

	1982	1981
Income:		
Interest, loans	$ 364,332	$222,332
Interest, other	26,583	15,729
Miscellaneous	21,170	12,227
Grants from Province of Manitoba	—	19,323
	412,085	269,611
Expense:		
General administrative, Schedule 1 (Note 7)	793,081	497,933
Provision for doubtful accounts on loans receivable (Note 4)	584,211	138,802
Provision for loss on property held for resale	—	11,051
	1,377,292	647,786
Less: Administrative expenses recovered from:		
Province of Manitoba (Note 6)	146,400	148,800
Manitoba Development Corporation (Note 7(a))	—	57,900
	146,400	206,700
Net Expense	1,230,892	441,086
Excess of expense over income	818,807	171,475
Less: Subsidy received or receivable from (Note 1):		
Province of Manitoba	—	143,274
Manitoba Development Corporation	818,807	28,201
	818,807	171,475
	$ —	$ —

Schedule 1

Communities Economic Development Fund

Schedule of General Administrative Expenses (Note 7)
for the year ended March 31, 1982
(with 1981 figures for comparison)

	1982	1981
Consultants — fees and expenses	$109,766	$ 64,966
Depreciation	948	907
Directors' fees and expenses	35,085	21,750
Grant to Churchill Research Centre Inc.	125,000	—
Legal and audit	17,954	14,857
Loss on disposition of "Property held for Resale"	4,665	—
Office supplies and expenses	49,374	25,392
Salaries and employee benefits	371,444	315,430
Sundry	8,436	5,261
Travel	70,409	49,370
General administrative expenses, Exhibit B	$793,081	$497,933

Communities Economic Development Fund

Notes to the Financial Statements
for the year ended March 31, 1982

1. *Nature of the Fund*

   The Communities Economic Development Fund was established as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province. To carry out this objective it is not practical to pass on all of the Fund's costs to the users of its services. As a result the Fund depends to a certain extent on subsidized assistance.

   For the year ended March 31, 1981 the required subsidy was in part received from the Province of Manitoba through an appropriation provided for this purpose with the balance of the subsidy received from the Manitoba Development Corporation. For the year ended March 31, 1982 and in future years the Manitoba Development Corporation will provide the subsidy assistance required by the Fund to cover its expenses.

2. *Significant Accounting Policies*

   (a) General

   The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, except for the accounting for pension costs as set out in (d) below.

   (b) Allowance for doubtful accounts.

   The allowance for doubtful accounts regarding possible losses on outstanding loans is determined on an individual account basis.

   (c) General administrative expenses (Schedule 1)

   Certain of these expenses are subject to sharing with the Manitoba Development Corporation and other expenses have been provided at no charge to the Fund in accordance with the terms disclosed in Note 7 (a).

   (d) Pensions

   The officers and employees of the Fund are not members of the Civil Service of the Government of Manitoba, but they contribute to and are pensionable under the Civil Service Superannuation Fund.

   In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Fund contributes 50% of the pension disbursement made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for the Fund's employees amounted to $101,474 as at December 31, 1981.

3. *Funds Authorized by the Province of Manitoba*

   (a) Funds for direct loans:

   The Revolving Fund shown on the Balance Sheet was established on April 1, 1976 through an order of the Lieutenant Governor in Council which provided for the conversion of Province of Manitoba advances to conditional grants for direct loans. If at anytime the Revolving Fund should exceed the amount which the Government has provided by way of conditional grants, the excess amount shall be paid over to the Government, and if operations should cease the residue of the Revolving Fund shall be paid to the Government.

   The change in the Revolving Fund during the year is as follows:

Balance, beginning of year	$2,365,223
Conditional grants received during the year	900,000
Balance, end of year	$3,265,223

   The balance of available capital authority for direct loans amounted to $300,000 as at March 31, 1982.

   (b) Funds for loan guarantees:

   Capital funds in the amount of $1,500,000 had been authorized by the Legislature to be advanced to the Fund for loan guarantees. As at April 1, 1976 the Government of the Province of Manitoba had advanced the Fund $100,000 of the authorized amount. Effective April 1, 1976, by an order of the Lieutenant Governor in Council, this advance was converted to a grant.

4. *Allowance for Doubtful Accounts*

The change in the allowance during the year is as follows:

Balance, beginning of year	$402,700
Provision during the year	584,211
	986,911
Less: Accounts written off	202,311
Balance, end of year	$784,600

5. *Accounts Receivable — Province of Manitoba*

	1982	1981
Subsidy receivable	$ —	$41,859
Administrative expenses recoverable (Note 6)	1,574	24,985
Consultant study — Province of Manitoba share	5,000	—
	$6,574	$66,844

6. *Administrative Recoveries*

Administrative expenses, in respect of a client staff and C.E.D.F. staff training program providing small business and community enterprises with management training and assistance, amounting to $146,400 (1981 - $148,800) were recovered from an appropriation of the Province of Manitoba provided for this purpose. The 1981 amount of $148,800 was shareable by Canada under the Canada-Manitoba Northlands Agreement.

7. *Administration of the Fund*

(a) Since April 1, 1980 the Communities Economic Development Fund has been jointly administered with the Manitoba Development Corporation.

For the year ended March 31, 1982, C.E.D.F. paid all common administrative expenses, except for rent and utility costs which were paid for by M.D.C. (1982 - $77,709; 1981 - $79,175).

For the year ended March 31, 1981, in addition to rent and utilities, M.D.C. also paid for:

Directors' expenses	$13,503
Telephone and telegraph	$20,609
Prorated portion of C.E.D.F. salaries	$57,900

These common costs are now paid by the Fund.

(b) To the extend of the aforementioned changes, the Fund's expenses are not comparable with those of the previous year.

8. *Funds Held in Trust*

During the year ended March 31, 1980, the Board approved $50,000 in interest free loans to provide for management assistance and working capital for entrepreneurial and community development in northern and remote communities. The interest free loans are subject to forgiveness depending on the economic viability of the borrowers' operations at a future date. If, in the future, repayment becomes impossible, the loans will then be converted to grants. Because of this possible future conversion, these funds received from the Province have not been taken into income but placed in trust and are included in funds shown as held in trust on the Balance Sheet. Should the $50,000 of interest free loans become uncollectible, a conversion of the $50,000 in trust will be applied on account of these loans. If the interest free loans are collected the amount in trust will be taken into income.

9. *Loan Commitments and Contingent Liabilities*

	1982	*1981*
Loan commitments — undisbursed balance of approved loans	$809,637	$341,954
Contingent liability — bank loan guarantees	40,000	—
	$849,637	$341,954

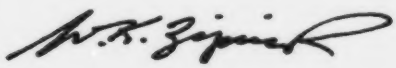
10. *Restatement of Accounts*

Comparative figures for the year ended March 31, 1981 have been restated where necessary to conform with the presentation adopted for the year ended March 31, 1982.

Report of Assistance Granted or to be Granted
for the year ended March 31, 1982

Auditor's Report

The foregoing report has been prepared by officials of the Communities Economic Development Fund and checked by my representatives with the records of the Fund which have been audited by us. In our opinion this report reflects the assistance granted or committed to be granted by the Fund for the year ended March 31, 1982.



W.K. Ziprick, C.A.,
Provincial Auditor.

August 11, 1982,
Winnipeg, Manitoba.

Communities Economic Development Fund

Report of Assistance Granted or to be Granted for the year ended March 31, 1982

	Interest Rate	Term	Amount
Able Carpet Care Enterprises Ltd.	16½%	3 years	$ 21,100
Ashdown's Wilderness Camp Inc.	14½%	10 years	62,100
Beef'N Reef Restaurant Ltd.	17%	10 years	343,500
Kenneth Bird and/or Hazel Bird	14½%	5 years	33,000
Edgar Botelho	14½%	5 years	30,000
Budai Logging Contractors Co. Ltd.	15¾%	5 months	57,000
Caddy Shack Ltd. — bank guarantee — fee	2% per annum	1 year	32,000
Centre Street Film Productions (Manitoba) Ltd.	15%	1 year	100,000
Churchill Research Centre — grant			125,000
Joseph A. Cooke	14½%	2 years	8,100
Bernard Crait and/or Ivan Hall	16½%	10 months	4,200
George A. Davidson	16½%	3 years	34,000
Decor World Inc.	17%	4 years	225,000
Dennis Doan	16½%	5 years	61,750
Emil Dufault	14½%	4 years	26,850
Daniel Dzuba and/or Rania Baker	17½%	4 years	44,000
Calvin Elder	14½%	2 years	8,000
Lawrence W.J. Garneau and/or Irene M. Garneau	16½%	5 years	39,500
Geosearch Consultants (Manitoba) Ltd.	14¾%	8 months	70,000
Island Lake Ramp & Dray Service Ltd.	16½%	1 year	8,500
Lakeside Groceteria Ltd.	14½%	8 years	66,700
Lake Fresh Fish Products Inc.	16¼%	9 months	10,000
L & H Hi-Way Service Ltd.	14½%	10 years	65,000
George A. McIvor	14½%	5 years	18,250
George A. McIvor	15¾%	3 years	15,500
Richard McIvor	14½%	2 years	21,420
Richard McIvor	16½%	6 months	5,320
Leonard H. McKenzie	16¼%	30 months	30,700
Alan McLeod	17½%	3 years	72,500
John L. McLeod	14½%	2 years	6,000
M.F.T. Enterprises Ltd.	16½%	5 years	40,000
John Morrisseau — bank guarantee — fee	2% per annum	1 year	8,000
Joseph J. Nabess and/or Mrs. Marguerite Nabess	16¼%	10 years	42,000
Gilbert North	17½%	6 months	35,000
Gilbert North	17%	3 years	51,000
Northern Outboard & Snowmobile Centre Ltd.	16½%	5 years	22,000
Northern Towing Ltd.	14½%	3 years	51,000
Paint Lake Marina (1980) Ltd.	16½%	10 years	111,650
Ralph Pelletier and/or Lillian Pelletier	16½%	1 year	2,500
Pi-Mi-Chi-Ka-Mac Development Corporation	17½%	6 months	105,000
Pi-Mi-Chi-Ka-Mac Development Corporation	17½%	1 year	50,000
Pi-Mi-Chi-Ka-Mac Development Corporation	14¾%	1 year	75,000
Aurel A. Renout	14½%	6 years	38,900
Hubert Sinclair and/or Francis Lavallee	14½%	3 months	4,100
Dennis J. Thompson	15¾%	3 years	19,000
Wabman Towing Services Ltd.	14½%	3 years	500,000
			$2,800,140